IOWA ECONOMIC DEVELOPMENT AUTHORITY
200 East Grand Avenue | Des Moines, Iowa 50309 USA | Phone: 515.725.3000
iowaeconomicdevelopment.com

March 21, 2012

Ms. Janice Meintzer
Peregrine Financial Group, Inc
311 West Monroe Street
Suite 1300
Chicago, IL 60606

NOTICE OF DEFAULT – Unable to Cure

RE: Project Closeout – Peregrine Financial Group, Inc
Master Contract #P0609M01114
Funding Agreement #07-CEBA-044

Dear Ms. Meintzer:

This letter is a follow-up to the monitoring visit conducted by Beth Conley in March of 2011 concerning the above referenced contract. The purpose of the visit was to review the status of the project and determine if all contractual obligations were met.

Summarization of the CEBA Contract:

1. The Project Completion Date was June 30, 2010 with a Project Maintenance Date of June 30, 2012.
2. The project investment in the Community by the Project Completion Date was to be at least $13,030,000. Project expenditures were verified to be $23,806,608.42.
3. The Agreement called for 74 of the FTE jobs were to pay an hourly wage of at least $19.74. 25 FTE's met this wage obligation. This is a 66% shortfall.

Because the full job creation obligation was not met, Peregrine Financial Group, Inc. is in default of the following Master Contract requirement for the CEBA Contract:

> §8.2(a) – **Job Obligations.** Jobs and Wages. By the ***Project Completion Date***, the Business shall create/retain the number of FTE Created Jobs and Retained Jobs above the ***Business's Employment Base*** and maintain the jobs through the ***Job Maintenance Period***, all as detailed in Exhibit D. The Business shall pay the wage rates identified in Exhibit D.

In regard to your CEBA Contract #07-CEBA-044, the following is an excerpt of Article 11.2(a, b & c) from the contract outlining the payback provisions required through the CEBA program:

> (a) **Repayment of Loan - Failure to Meet Job Obligations.** If the Business meets *less* than 100% of its Job Obligations, the IEDA may require full repayment of the Loan, as permitted under the Master Contract. IEDA may also elect to allow repayment on a pro rata basis as described below:
>
> If the Business received a Loan at a rate below 6% (the annual interest rate for default set by the IEDA Board), the unpaid principal amount of the Loan may be prorated between the percentage of FTE Jobs created/retained and the percentage of the shortfall.
>
> The shortfall principal portion may be amortized over the remaining term of the Loan, beginning at the Project Completion Date, at a default rate of 6% (the annual interest rate set by the IEDA Board). Interest will be charged beginning from the date Loan proceeds were disbursed to the Community for the Business; interest accrued from this date will be

due immediately. The pro rata portion of the Loan associated with the percentage of FTE Jobs created will be amortized at the original Loan rate and term.

(b) **Repayment of Forgivable Loan - Failure to Meet Job Obligations.** If the Business has fulfilled *50% or more* of its Job Obligations, a pro rata percentage will be forgiven for each new FTE job created/retained at the time the repayment amount is calculated (e.g. at the Project Completion Date or the date an Event of Default occurred) Any balance (shortfall) will be amortized over a two (2) year period (beginning at the at the time the repayment amount is calculated (e.g. at the Project Completion Date or the date an Event of Default occurred) at six (6%) percent interest per annum with equal monthly payments, and, interest will be charged at six (6%) percent per annum from the date of the first CEBA disbursement on the shortfall amount with that amount accrued as of the Project Completion Date being due and payable immediately.

(c) **Repayment – Time Allowed.** If the IEDA has allowed repayment of the Forgivable Loan on a pro rata basis as described in paragraph "b" above, that amount is immediately due and payable. If the Business has a current Loan balance, the amount owed on the Forgivable Loan may be combined with the amount owed on the Loan to reflect a single monthly payment. This combined loan shall be repaid over the time period remaining.

Since the business is unable to cure this default, and did not fulfilled 50% or more of its Job Obligations, a full repayment of the Forgivable Loan, including interest and penalties, is now due. The Forgivable Loan may also be combined with amount owed on the Loan to reflect a single monthly payment. A repayment calculation worksheet is enclosed outlining the repayment amounts and options.

Since all project activities have been completed and verified, the Authority has closed the financial monitoring section of this project file. The Authority will be monitoring the project on the Project Maintenance Date of June 30, 2012 to determine the Business's employment level at that time.

While the business did not meet the full contract obligations, Peregrine Financial Group, Inc. has still made an invaluable contribution to the Cedar Falls business community and the state as well. We look forward to working with you on future economic development projects. Please do not hesitate to contact me at 515-725-3013 or samuel.burt@iowa.gov if you should have any questions.

Sincerely,

Samuel Burt
Project Manager
Compliance Team

cc: IEDA Accounting
IEDA Compliance file

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Business Job Shortfall Calculation

CEBA Funding Agreement Exhibit B

CEBA

County of Black Hawk / Peregrine Financial Group, Inc.
FUNDING AGREEMENT #07-CEBAIVFGF-044
$350,000 L/FL / Award Date: June 13, 2007
($175,000 0% Loan, $175,000 Forgivable Loan)

A. FORGIVABLE LOAN - JOB SHORTFALL CALCULATION

Forgivable Loan Job Shortfall Balance due = $175,000

B. FORGIVABLE LOAN – INTEREST PENALTY CALCULATION

CEBA funds disbursed on 7-23-2009. Project Completion Date was 6-30-2010.

Interest penalty = job shortfall balance x 6% x number of years from disbursement of funds to Project Completion Date

($175,000 x 6% x .95 years) = $9,975.00

Forgivable Loan Net Interest Penalty due = $9,975.00

C. LOAN BALANCE – INTEREST PENALTY CALCULATIONS

74 jobs pledged, 25 jobs attained: 34% of pledged jobs attained, 66% shortfall

Loan balance as of 3-5-2012 = **$90,416.57**

34% of remaining loan balance stays at 0% interest = ($90,416.57 x .34) = $30,741.63
66% of remaining loan balance changes to 6% interest = ($90,416.57 x .66) = $59,674.94

Interest penalty = 66% of remaining loan balance x 6% x .95 years

($59,674.94 x 6% x .95 years) = $3,401.47

Loan Net Interest Penalty due = $3,401.47

D. REPAYMENT TERMS & SCHEDULE

1. Total Net Interest Penalty due is **$13,376.47** ($9,975.00 + $3,401.47).
2. Total Forgivable Loan amount due is **$175,000**.
3. Remaining Loan Balance as of 3-21-2012 will be **$90,416.57** and will be re-amortized to convert 66% of that balance to 6% interest over remaining term of loan.

Since the business is unable to cure this default, and did not fulfilled 50% or more of its Job Obligations, a full repayment of the Forgivable Loan, including interest and penalties, is now due. The Forgivable Loan may also be combined with amount owed on the Loan to reflect a single monthly payment.